



Österreichisches Institut für Spendenwesen – ÖIS

Berggasse 7, A-1090 Wien

Tel (+43 1) 317 40 13

Email office@spenden.at

Internet www.spenden.at

***Workshop on Certification Systems for Nonprofit Organizations
Prague, Czech Republic
May 23 – 24, 2005***

AUSTRIAN SEAL OF APPROVAL FOR CHARITIES

History

For a long time, fundraising in Austria has been dominated by the Roman Catholic Church. Most charitable institutions were within the sphere of influence of the Catholic Church; a few humanitarian organisations such as the Red Cross or SOS Children's Villages had a similar reputation.

Only in the 1980s did new charities come to Austria, in particular some already active in other European countries. Greenpeace, Global 2000, World Vision, WWF and new initiatives in animal protection may be named. Many of these new charities already practised professional fundraising, which irritated traditional charity organisations deeply.

Those involved, seeking transparency, found points of reference in Germany and Switzerland, and drawing attention to these, and through information exchange via the ICFO they succeeded in sensitising the interested public accordingly. Persons responsible in government departments, consumer protection organisations, in the media, etc., had two objectives in the Austrian fundraising market:

- independent documentation and analysis of all charitable institutions in Austria
- regulations guaranteeing transparency and fairness in professional fundraising

The legal situation in Austria makes the endeavour more difficult. There are no restrictions on collecting for charity, except that door-to-door collections have to be registered. Furthermore, private donations are not tax deductible in Austria. This means that access to fundraising activity is facilitated.

Only recently the Federal Ministry of Finance set up a project group with the aim to propose a model for tax deductability of donations made by private persons and companies by the end of 2005. At last, after decades of demands by NGOs, there seems to be political will. Maybe the elections to the Austrian National Council scheduled to be

held in autumn 2006 will also contribute to the fundraising demands being finally implemented.

The project group is presently working on precise measures, mainly on the basis of the law on charitable donations that has been in force in the Federal Republic of Germany for many years. What we need is a reduction of the basis of assessment in which the donations made may be included. Another approach of fiscal measures such as, for instance, the one percent model used in the Slovak Republic, which has now even been raised to 2 percent, does not seem to be an option.

THE AUSTRIAN MARKET FOR FUNDRAISING

In Austria, with its 8 million inhabitants, approx. 450 million euros are donated in the form of private contributions each year. About 40% of these donations are directed to foreign countries. Charity is mostly aimed at children, handicapped persons and animal protection. The average annual donation per head is relatively low: 100 euros. In recent years readiness to make donations has significantly increased. Approximately 80% state that they donate at least once a year.

About 600 organisations are known as fund-raisers. Mostly, they are of regional importance and raise less than 70,000 euros per year. The large charities can be quickly listed: They come under the Catholic Church, CARITAS being the largest fundraiser among them. The Austrian Red Cross is number two in the fundraising industry. Both organisations are at the same time partners of the highly successful fundraising campaigns of the Austrian Broadcasting Corporation ORF.

During the last years the professionalisation of fundraising has increased considerably. Many charities commission agencies to carry out fundraising tasks. Many people complain about the flood of mailings and even more about the considerable increase in face-to-face advertising activities.

Organisations try to find long-term contributors. Consequently, even renowned institutions have revived "membership status". They endeavour to gain as many subscription members as possible, however, only giving them rather limited rights. Income gained from subscription memberships is rated as similar to donations.

TRANSPARENCY IN THE FUNDRAISING MARKET

In late 1998 a donation scandal was uncovered at Worldvision Österreich. This provided the impetus to take a fresh look at the idea of transparency and regulating the business of donations. The Austrian Institute for Fundraising Organisations (ÖIS) was asked to develop a new approach to documentation, information and the development of a seal of approval.

In 1999 ÖIS set up a working group which did not include members of charities. In this working group members of NPO umbrella organisations, government departments, the media, fundraising associations and consumer protection organisations were represented.

The objective of the working group was to prepare a catalogue for the award of an Austrian seal of approval for charities.

After many discussions and considerable efforts the Austrian seal of approval for charities was presented to the public in November 2001.

AUSTRIAN SEAL OF APPROVAL FOR CHARITIES

It was clear right from the start that the range of criteria had to be harmonised with the body of regulations existing in neighbouring countries. The criteria of the German Central Institute for Social Issues (DZI) and the Central Office for Charitable Organisations (ZEWO) were used as a model. The list of criteria was agreed upon surprisingly quickly.

A more difficult task was to achieve concrete implementation in the organisational sector. In particular, the umbrella organisations tried hard to block the creation of a new independent body for the administration of the Austrian seal of approval for charities. They themselves wanted to remain the contact partners for charities within a loose working group. Other interest groups emphasised that the seal of approval for charities could not be solely a NPO initiative.

The compromise finally arrived at was to distribute the tasks. The responsibility for the system of the seal of approval was allocated to the organisations themselves. However, only those institutions which are independent legal entities are acknowledged as organisations. Especially in the church sector this decision led to difficulties. However, in the meantime clarification has been achieved in this sector, too.

The internal implementation in the organisation has to be checked annually by external accounting. The organisation is free to choose the accountant.

In Austria all accounting institutions are members of the Austrian Chamber of Chartered Accountants and Tax Advisers, KWT. Thus, it seemed reasonable to instruct this independent public-law body formally to award the Austrian seal of approval for charities.

The seal of approval is thus awarded in the light of the internal implementation of the list of criteria, an external audit through an accountant with an attestation and report to the Chamber of Chartered Accountants and Tax Advisers. Subsequently the Chamber awards the authorisation for use of the Austrian seal of approval for charities for one year.

STRENGTHS AND WEAKNESSES OF THE SYSTEM

The weaknesses are obvious. Compliance with the criteria is integrated into the organisational process and cannot be completely verified by external accounting. Controllability of criteria can be guaranteed for formal contents, such as the financial systems, responsibilities, the existence of an annual report, or compliance with consumer protection regulations. The situation is much more difficult as regards methods of fundraising and basic ethical conditions of advertising campaigns. In these cases chartered accountants cannot meet the demands.

Among the strengths are the quick implementability, the low development costs and the large-scale acceptance by the organisations because of the possibility of participating in structuring processes. Furthermore, success was achieved in creating a single common Austrian seal of approval for all charitable aims. A further strength is that the existing catalogue of criteria cannot be further developed by the NPOs independently. The catalogue is the property of the Fundraising Working Group.

The system "Austrian seal of approval for charities" was realised in the described form for a test period of 3 years, starting from 2002. In 2004, the system was evaluated. This

process has now been completed and the basic principles of the seal of approval remained unchanged.

However, some changes were made to the seal of approval itself. The integrated date was removed with regard to the interests of the donor organisations. The publication of an annual report was made mandatory, the detailed provisions were agreed upon. All in all, these few changes show a positive response both from organisations and the public.

A total of more than 140 charities, that is around 20 percent of all charitable organisations, have been awarded the seal of approval so far. All together they receive donations worth 140,000 euros per year, which accounts for more than 35 percent of the donations made in Austria.

However, there were also negative reactions. In particular the two largest charities, Caritas and the Red Cross, adopted a wait-and-see policy. Together, they receive donations worth around 90 million euros per year through their regionally spread institutions. They are concerned about their "brand name" and refer to their high level of recognition and their credibility. The small organisations regard the financial burden resulting from the mandatory audit an obstacle.

CONCLUDING REMARKS

The development of the Austrian fundraising industry has been very interesting. Because of the huge number of initiatives, the fundraising sector in Austria now has a very different significance and is better anchored in society. The percentage of the population contributing has risen from 50 to approx. 80%. Making a donation is accepted and used as a major expression of social responsibility.

The upcoming model for tax deductibility will have to answer an essential question: What proofs of quality will the organisations have to furnish if they want to be granted a tax concession? The basic criteria seem to have been defined in the course of the seal of approval procedure: transparency in the organisational bases regarding legal entity status and personal liability, clear statements on the purpose of the organisation, understandable information of the public regarding the financial position and measures for the protection of the donors and ethical self-commitments in fundraising. This will be the next task for us in Austria and also in this respect we are looking forward to Prague with interest and curiosity. In a common Europe, we will continue to observe and promote cross-border civil society developments in the area of charitable donations.

Vienna, May 2005

Gerhard Bittner

Online information at:

www.spenden.at

www.kwt.or.at

www.osgs.at